



**MINUTES FROM THE INVESTMENT SUBCOMMITTEE
OF THE CASH MANAGEMENT POLICY BOARD
MAY 1, 2019**

A meeting of the Investment Subcommittee (the “Subcommittee”) of the Cash Management Policy Board (the “Board”) was held on May 1, 2019, 10:00 a.m., in the main conference room of the Office of the State Treasurer (“OST”), located at 820 Silver Lake Blvd., Suite 100, Dover, Delaware.

Subcommittee Members Represented or in Attendance:

Mr. Dave Marvin, Subcommittee Chair (Telephonically)
Mr. Mike Karia, Subcommittee Co-Chair (Telephonically)
Mr. John Flynn, Board Chair (Telephonically)
The Honorable Colleen Davis, State Treasurer (Telephonically)
Mr. Richard Geisenberger, Secretary, Department of Finance (Telephonically)

Subcommittee Members Not Represented or in Attendance:

Others in Attendance:

Ms. Stephanie Scola, Bond Finance Director, Department of Finance (Telephonically)
Mr. Jason Staib, Deputy Attorney General, Delaware Department of Justice
Mr. Daniel Scholl, Deputy State Treasurer, OST
Mr. Josh Berkow, Director of Debt and Cash Management, OST
Ms. Liza Druck, Policy Advisor, OST
Mr. John Krimmel, Partner, NEPC, LLC (Telephonically)
Ms. Margaret Belmondo, NEPC, LLC (Telephonically)

CALLED TO ORDER

Mr. Marvin called the meeting to order at 10:00 a.m.

APPROVAL OF THE MINUTES

A MOTION was made by Mr. Karia and seconded by Mr. Marvin to approve minutes from the Subcommittee meeting on November 7, 2018.

MOTION ADOPTED UNANIMOUSLY

INVESTMENT ACCOUNTS UPDATE

Supranational Investments Discussion

Mr. Krimmel reported that recent investment manager meetings have revealed inconsistencies in how managers regard the permissibility of supranational securities in their respective portfolios.

Supranationals were a permissible investment prior to the 2015/2016 Investment Guideline clean-up process, but are no longer mentioned in the Guidelines. Mr. Krimmel discussed research findings that supranational securities carry minimal default risk, and are generally highly rated. Mr. Krimmel recommended that supranational agencies be explicitly included in the Guidelines as a permissible investment, subject to the same constraints as corporate securities.

A MOTION was made by Mr. Karia and seconded by Mr. Marvin to recommend to the Board the inclusion of supranational agency securities as reasonable investments under the Investment Guidelines.

MOTION ADOPTED UNANIMOUSLY

Endowment Manager Contract Extension

Mr. Berkow informed the Subcommittee of the need to exercise the second and final one-year extension of the three respective Endowment Manager contracts. Mr. Berkow conveyed OST's satisfaction with the current managers, and confirmed there are no open issues related to performance or fees. Mr. Krimmel concurred with OST's feedback, and supported extending each of the three managers.

A MOTION was made by Mr. Marvin and seconded by Mr. Karia to recommend to the Board the approval of the Endowment Manager contract extensions (second and final one year extension).

MOTION ADOPTED UNANIMOUSLY

INVESTMENT ARCHITECTURE UPDATE

Periodic Rebalancing Discussion

Ms. Druck updated the Subcommittee on the portfolio liquidity/reserve allocation. Without any rebalancing, the liquidity and reserve portfolios reflected an average 40/60 allocation throughout FY 2019, the first year of the targeted 25% liquidity/75% reserve architecture. Based on those findings, as well as the results of a comprehensive analysis of cash balances and cash flows across various fiscal scenarios, OST recommends performing a monthly review of the liquidity portfolio balance and rebalancing at the end of any month in which the balance exceeds 30% of the total portfolio allocation. The Subcommittee supported this approach.

OTHER MATTERS OF THE BOARD

Annual Guidelines Clean-up Discussion

Mr. Berkow advised the Subcommittee of OST's desire to consolidate Investment Guideline updates into a single annual review process. The Subcommittee supported this recommendation, and the next batch of Guideline changes will be presented for approval at the August Board meeting.

Custodian Contract Extension

Mr. Berkow advised that OST plans to bring the investment custodian services contract extension before the Board at the August meeting. Mr. Berkow noted that the current custodian, Northern Trust, has been a strong partner and recommended extending the contract. The Subcommittee was in agreement.

EXECUTIVE SESSION

No executive session

PUBLIC COMMENTS

No members of the public present for comment.

NEXT MEETING

The next meeting is scheduled for August 7, 2019.

ADJOURNMENT

A MOTION was made by Mr. Karia and seconded by Mr. Marvin to adjourn the meeting of the Subcommittee at 10:29 a.m.

MOTION ADOPTED UNANIMOUSLY



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State Treasurer

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Respectfully submitted,

David Marvin
Chair for the Investment Subcommittee

Mike Karia
Co-Chair for the Investment Subcommittee

DRAFT